

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY

LEROY, MICHIGAN

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Rose Lake	County Osceola
Audit Date 3/31/04	Opinion Date 9/20/04	Date Accountant Report Submitted to State: September 27, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 9/23/04

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MARCH 31, 2004

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ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 20, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Rose Lake Township
Osceola County
Leroy, Michigan

We have audited the accompanying general-purpose financial statements of Rose Lake Township, Osceola County, Leroy, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the Township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis other than accounting principles generally accepted in the United States of America.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Rose Lake Township, Osceola County, Leroy, Michigan as of March 31, 2004, and the cash receipts it received and cash disbursements it paid for the year then ended on the basis of accounting described in Note I.B.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

ALL FUND TYPES AND ACCOUNT GROUP
MARCH 31, 2004

	<u>ASSETS</u>	<u>GOVERNMENTAL FUND TYPES</u>	
		<u>GENERAL</u>	<u>SPECIAL REVENUE</u>
Cash			
Money Market Accounts		\$ 34,073	\$ 35,129
Certificates of Deposit		107,215	0
Taxes Receivable		3,589	5,059
Special Assessment Receivable		0	2,858
Land and Land Improvements		0	0
Buildings and Building Improvements		0	0
Furniture and Equipment		0	0
		<u>0</u>	<u>0</u>
TOTAL ASSETS		<u>\$ 144,877</u>	<u>\$ 43,046</u>
	<u>LIABILITIES AND EQUITY</u>		
<u>LIABILITIES</u>			
Deferred Revenue		\$ 3,589	\$ 7,917
<u>EQUITY</u>			
Investment in General Fixed Assets		\$ 0	\$ 0
Balance			
Reserved for			
Cemetery		0	5,510
Cemetery Perpetual Care		0	200
Fire Protection		0	100
Unreserved			
Designated for Lake Improvement		0	22,361
Designated for Road Improvement		0	6,958
Undesignated		141,288	0
		<u>141,288</u>	<u>0</u>
Total Equity		<u>\$ 141,288</u>	<u>\$ 35,129</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 144,877</u>	<u>\$ 43,046</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

FIDUCIARY FUND TYPE AGENCY	ACCOUNT GROUP GENERAL FIXED ASSETS	TOTALS (MEMORANDUM ONLY)
\$ 2,216	\$ 0	\$ 71,418
0	0	107,215
0	0	8,648
0	0	2,858
0	13,484	13,484
0	124,344	124,344
0	26,118	26,118
<u>\$ 2,216</u>	<u>\$ 163,946</u>	<u>\$ 354,085</u>
 \$ 0	 \$ 0	 \$ 11,506
 \$ 0	 \$ 163,946	 \$ 163,946
0	0	5,510
0	0	200
0	0	100
0	0	22,361
0	0	6,958
2,216	0	143,504
<u>\$ 2,216</u>	<u>\$ 163,946</u>	<u>\$ 342,579</u>
<u>\$ 2,216</u>	<u>\$ 163,946</u>	<u>\$ 354,085</u>

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>(MEMORANDUM ONLY)</u>
<u>RECEIPTS</u>			
Taxes	\$ 35,166	\$ 46,889	\$ 82,055
Licenses	5,610	0	5,610
State Grants	87,736	0	87,736
Contributions from Local Units	0	3,750	3,750
Charges for Services	6,655	3,900	10,555
Interest and Rents	4,359	78	4,437
Other Receipts	7	29,474	29,481
Total Receipts	\$ 139,533	\$ 84,091	\$ 223,624
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 17,846	\$ 0	\$ 17,846
General Government			
Supervisor	9,042	0	9,042
Assessor	27,135	0	27,135
Clerk	14,055	0	14,055
Board of Review	2,365	0	2,365
Treasurer	22,197	0	22,197
Building and Grounds	3,667	0	3,667
Cemetery	3,761	6,544	10,305
Public Safety	0	48,989	48,989
Public Works	61,438	7,197	68,635
Recreation and Cultural	2,200	36,337	38,537
Other Functions	10,034	0	10,034
Total Disbursements	\$ 173,740	\$ 99,067	\$ 272,807
Excess of Receipts Over (Under) Disbursements	\$ (34,207)	\$ (14,976)	\$ (49,183)

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>(MEMORANDUM ONLY)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In (Out)			
General Fund	\$ 0	\$ 1,250	\$ 1,250
Cemetery Fund	(1,250)	0	(1,250)
Total Other Financing Sources (Uses)	\$ (1,250)	\$ 1,250	\$ 0
Excess of Receipts and Other Sources Over (Under) Disbursements and Other Uses	\$ (35,457)	\$ (13,726)	\$ (49,183)
<u>BALANCE</u> - April 1, 2003	176,745	48,855	225,600
<u>BALANCE</u> - March 31, 2004	<u>\$ 141,288</u>	<u>\$ 35,129</u>	<u>\$ 176,417</u>

The accompanying notes are an integral part of these financial statements.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 35,910	\$ 35,166	\$ (744)
Licenses and Permits	4,800	5,610	810
State Grants	81,318	87,736	6,418
Contributions from Local Governments	0	0	0
Charges for Services	0	6,655	6,655
Interest and Rents	8,850	4,359	(4,491)
Other Receipts	7,500	7	(7,493)
Total Receipts	\$ 138,378	\$ 139,533	\$ 1,155
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 20,500	\$ 17,846	\$ 2,654
General Government			
Supervisor	9,500	9,042	458
Election	3,500	0	3,500
Assessor	27,200	27,135	65
Clerk	15,500	14,055	1,445
Board of Review	4,000	2,365	1,635
Treasurer	24,300	22,197	2,103
Building and Grounds	10,000	3,667	6,333
Cemetery	6,000	3,761	2,239
Public Safety	0	0	0
Public Works	67,000	61,438	5,562
Recreation and Cultural	2,200	2,200	0
Other Functions	14,500	10,034	4,466
Contingency	30,000	0	30,000
Total Disbursements	\$ 234,200	\$ 173,740	\$ 60,460
Excess of Receipts Over (Under) Disbursements	\$ (95,822)	\$ (34,207)	\$ 61,615
<u>OTHER FINANCIAL SOURCES (USES)</u>			
Operating Transfers In (Out)	(1,250)	(1,250)	0
Excess of Receipts and Other Sources Over (Under) Disbursements and Other Uses	\$ (97,072)	\$ (35,457)	\$ 61,615
<u>BALANCE</u> - April 1, 2003	176,745	176,745	0
<u>BALANCE</u> - March 31, 2004	\$ 79,673	\$ 141,288	\$ 61,615

EXHIBIT C

SPECIAL REVENUE FUND TYPES

BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 70,407	\$ 46,889	\$ (23,518)
0	0	0
0	0	0
3,750	3,750	0
10,500	3,900	(6,600)
750	78	(672)
30,940	29,474	(1,466)
<u>\$ 116,347</u>	<u>\$ 84,091</u>	<u>\$ (32,256)</u>
\$ 0	\$ 0	\$ 0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
15,300	6,544	8,756
74,507	48,989	25,518
10,605	7,197	3,408
37,500	36,337	1,163
0	0	0
0	0	0
<u>\$ 137,912</u>	<u>\$ 99,067</u>	<u>\$ 38,845</u>
\$ (21,565)	\$ (14,976)	\$ 6,589
1,250	1,250	0
\$ (20,315)	\$ (13,726)	\$ 6,589
48,639	48,855	216
<u>\$ 28,324</u>	<u>\$ 35,129</u>	<u>\$ 6,805</u>

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Rose Lake Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The Township has the following fund types and account group:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for this fund which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, receipts are recognized when collected (i.e., when cash is received). Disbursements are recorded when cash is disbursed.

Governmental funds include the following fund type:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for receipts sources that are legally restricted to disbursements for specific purposes (not including expendable trusts or major capital projects).

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

Account Group. The General Fixed Assets Account Group is used to account for fixed assets of the Township.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Investment Policy adopted by the Township states that the Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Rose Lake Township Board of at the Board's organizational meeting after each regular election of board members.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

- g. Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a new asset value of \$1.00 per share.
- h. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received.

3. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

4. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

6. Use of Estimates

This presentation of financial statements on the modified cash basis of accounting requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 4, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits in money market accounts and certificates of deposit at year-end were entirely covered by Federal Depository Insurance. At year-end, the carrying amount of the Township's deposits was \$178,633 and the bank balance was \$180,001.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

The carrying amount of the Township's deposits at year-end are shown below:

	GENERAL FUND	ROSE LAKE IMPROVEMENT FUND	FIRE FUND	CEMETERY FUND	MCCOY LAKE ROAD IMPROVEMENT FUND	SOUTH HOGBACK LAKE ROAD IMPROVEMENT FUND	TAX COLLECTION FUND
Citizen's Bank							
Leroy, Michigan							
Money Market Account	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,216
Certificates of Deposit	49,775	0	0	0	0	0	0
Lake - Osceola State Bank							
Tustin, Michigan							
Money Market Accounts	34,073	22,361	100	5,710	1,135	5,823	0
Certificates of Deposit	57,440	0	0	0	0	0	0
	<u>\$ 141,288</u>	<u>\$ 22,361</u>	<u>\$ 100</u>	<u>\$ 5,710</u>	<u>\$ 1,135</u>	<u>\$ 5,823</u>	<u>\$ 2,216</u>

B. Fixed Assets

Activity in the general fixed assets account group for the Township for the year ended March 31, 2004, was as follows:

	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
Land and Land Improvements	\$ 13,484	\$ 0	\$ 0	\$ 13,484
Buildings and Building Improvements	124,344	0	0	124,344
Furniture and Equipment	23,809	2,309	0	26,118
	<u>\$ 161,637</u>	<u>\$ 2,309</u>	<u>\$ 0</u>	<u>\$ 163,946</u>

IV. OTHER INFORMATION

A. Property Taxes

The Township levied 0.8868 mills in tax for general operations on a taxable value of \$35,812,522 on the 2003 tax roll. Also, the Township levied 1.25 mills for fire protection on a taxable value of \$34,599,488.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

The date of the levy was December 31 at which time the taxes become an enforceable lien against the property. Taxes are due and payable to the Township treasurer on or before February 28. After February 28, the property taxes are payable to the Osceola County Treasurer. Property taxes levied December 1 which are collected prior to the end of the fiscal year are recognized as income in the year in which they are levied.

B. Interest Income and Expense

For the year ended March 31, 2004, interest income and expense was as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 3,970	\$ 0
Cemetery Fund	13	0
Rose Lake Improvement Fund	65	0
TOTAL	<u>\$ 4,048</u>	<u>\$ 0</u>

C. Current Tax Collection Fund Balance

The balance of \$2,216 remaining in the Current Tax Collection Fund as of March 31, 2004, consists of \$2,216 of late payment penalties and interest income due to the Rose Lake Township General Fund.

D. Joint Fire District

The Township is a member of the Leroy-Rose Lake Fire District. The Fire District is a joint venture of Leroy Township, Rose Lake Township and the Village of Leroy created to provide fire protection for the member units. As stated in NOTE IV. A, Rose Lake Township levies 1.25 mills to support the Fire District. The following financial information was taken from the Fire District's February 28, 2002 audited financial statements:

Total Assets	\$ 612,274
Investment in Fixed Assets	589,729
Fund Balance - Unreserved	22,545
Total Receipts	187,703
Total Disbursements	209,012
Net Increase (Decrease) in Balance	(21,309)

A copy of these audited financial statements may be obtained upon request from the Fire District treasurer.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

E. Cemetery Perpetual Care

Included in the Cemetery Fund money market account is \$200 which was donated to the Township for cemetery perpetual care. The interest on this amount is to be used for cemetery upkeep. The \$200 is not available to meet expenses.

F. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

G. Rose Lake Improvement Fund

The Township has established a special assessment district for the purpose of improving Rose Lake. This fund is used to account for all of the receipts and disbursements relating to the Rose Lake Improvement Fund.

H. McCoy Lake Road Improvement Fund

In 2000, the Township established the McCoy Lake Road Improvement Fund for a period of five years. This fund will assess property owners on certain roads around McCoy Lake to pay for improvements to those roads.

I. South Hogback Lake Road Improvement Fund

In 2001, the Township established the South Hogback Lake Road Improvement Fund for a period of five years. This fund will assess property owners on certain roads around South Hogback Lake to pay for improvements to those roads.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Money Market Account	
Certificates of Deposit	\$ 34,073
Taxes Receivable	107,215
	<u>3,589</u>
TOTAL ASSETS	\$ <u>144,877</u>

LIABILITIES AND EQUITY

LIABILITIES

Deferred Revenue	\$ 3,589
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EQUITY

Balance	
Unreserved	<u>141,288</u>

TOTAL LIABILITIES AND EQUITY	\$ <u>144,877</u>
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ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes	\$ 35,910	\$ 35,166	\$ (744)
Licenses and Permits	4,800	5,610	810
State Grants	81,318	87,736	6,418
Charges for Services	0	6,655	6,655
Interest and Rents	8,850	4,359	(4,491)
Other Receipts	7,500	7	(7,493)
Total Receipts	\$ 138,378	\$ 139,533	\$ 1,155
<u>DISBURSEMENTS</u>			
Legislative			
Township Board	\$ 20,500	\$ 17,846	\$ 2,654
General Government			
Supervisor	9,500	9,042	458
Election	3,500	0	3,500
Assessor	27,200	27,135	65
Clerk	15,500	14,055	1,445
Board of Review	4,000	2,365	1,635
Treasurer	24,300	22,197	2,103
Building and Grounds	10,000	3,667	6,333
Cemetery	6,000	3,761	2,239
Public Works	67,000	61,438	5,562
Recreation and Cultural	2,200	2,200	0
Other Functions	14,500	10,034	4,466
Contingency	30,000	0	30,000
Total Disbursements	\$ 234,200	\$ 173,740	\$ 60,460
Excess of Receipts Over (Under) Disbursements	\$ (95,822)	\$ (34,207)	\$ 61,615

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)			
Cemetery Fund	(1,250)	(1,250)	0
Excess of Receipts and Other Sources Over (Under) Disbursements and Other Uses	\$ (97,072)	\$ (35,457)	\$ 61,615
<u>BALANCE</u> - April 1, 2003	176,745	176,745	0
<u>BALANCE</u> - March 31, 2004	\$ 79,673	\$ 141,288	\$ 61,615

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

	FIRE FUND	CEMETERY FUND	ROSE LAKE IMPROVEMENT FUND
<u>ASSETS</u>			
Cash			
Money Market Account	\$ 100	\$ 5,710	\$ 22,361
Taxes Receivable	5,059	0	0
Special Assessment Receivable	0	0	558
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 5,159	\$ 5,710	\$ 22,919
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND BALANCE</u>			
<u>LIABILITIES</u>			
Deferred Revenue	\$ 5,059	\$ 0	\$ 558
	<hr/>	<hr/>	<hr/>
<u>BALANCE</u>			
Reserved for Cemetery	\$ 0	\$ 5,510	\$ 0
Reserved for Cemetery Perpetual Care	0	200	0
Reserved for Fire Protection	100	0	0
Unreserved			
Designated for Lake Improvement	0	0	22,361
Designated for Road Improvement	0	0	0
	<hr/>	<hr/>	<hr/>
Total Balance	\$ 100	\$ 5,710	\$ 22,361
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND BALANCE	\$ 5,159	\$ 5,710	\$ 22,919
	<hr/>	<hr/>	<hr/>

STATEMENT 3

MCCOY LAKE ROAD IMPROVEMENT FUND	SOUTH HOGBACK LAKE ROAD IMPROVEMENT FUND	TOTALS
\$ 1,135	\$ 5,823	\$ 35,129
0		5,059
100	2,200	2,858
<u>\$ 1,235</u>	<u>\$ 8,023</u>	<u>\$ 43,046</u>
<u>\$ 100</u>	<u>\$ 2,200</u>	<u>\$ 7,917</u>
\$ 0	\$ 0	\$ 5,510
0	0	200
0	0	100
0	0	22,361
1,135	5,823	6,958
<u>\$ 1,135</u>	<u>\$ 5,823</u>	<u>\$ 35,129</u>
<u>\$ 1,235</u>	<u>\$ 8,023</u>	<u>\$ 43,046</u>

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES

FOR THE YEAR ENDED MARCH 31, 2004

	FIRE FUND	CEMETERY FUND	ROSE LAKE IMPROVEMENT FUND
<u>RECEIPTS</u>			
Taxes	\$ 46,889	\$ 0	\$ 0
Contributions from Local Units	0	3,750	0
Charges for Services	2,100	1,800	0
Interest and Rents	0	13	65
Other Receipts	0	0	20,574
Total Receipts	\$ 48,989	\$ 5,563	\$ 20,639
<u>DISBURSEMENTS</u>			
General Government	\$ 0	\$ 6,544	\$ 0
Public Safety	48,989	0	0
Public Works	0	0	0
Recreation	0	0	36,337
Total Disbursements	\$ 48,989	\$ 6,544	\$ 36,337
Excess of Receipts Over (Under) Disbursements	\$ 0	\$ (981)	\$ (15,698)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In (Out) General Fund	\$ 0	\$ 1,250	\$ 0
Excess of Receipts and Other Sources Over (Under) Disbursements and Other Uses	\$ 0	\$ 269	\$ (15,698)
<u>BALANCE - April 1, 2003</u>	100	5,441	38,059
<u>BALANCE - March 31, 2004</u>	\$ 100	\$ 5,710	\$ 22,361

STATEMENT 4

MCCOY LAKE ROAD IMPROVEMENT FUND	SOUTH HOGBACK LAKE ROAD IMPROVEMENT FUND	TOTALS
\$ 0	\$ 0	\$ 46,889
0	0	3,750
0	0	3,900
0	0	78
900	8,000	29,474
\$ 900	\$ 8,000	\$ 84,091
\$ 0	\$ 0	\$ 6,544
0	0	48,989
925	6,272	7,197
0	0	36,337
\$ 925	\$ 6,272	\$ 99,067
\$ (25)	\$ 1,728	\$ (14,976)
\$ 0	\$ 0	\$ 1,250
\$ (25)	\$ 1,728	\$ (13,726)
1,160	4,095	48,855
\$ 1,135	\$ 5,823	\$ 35,129

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

FIRE FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ 100
Taxes Receivable	<u>5,059</u>
 TOTAL ASSETS	 \$ <u><u>5,159</u></u>

LIABILITIES AND EQUITY

LIABILITIES

Deferred Revenue	\$ 5,059
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EQUITY

Balance	
Reserved for Fire Protection	<u>100</u>

TOTAL LIABILITIES AND EQUITY	\$ <u><u>5,159</u></u>
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ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

FIRE FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Taxes			
Current Property Taxes	\$ 61,700	\$ 38,182	\$ (23,518)
Delinquent Property Taxes	8,707	8,707	0
Charges for Services			
Fire Runs	4,000	2,100	(1,900)
Interest and Rents	100	0	(100)
Total Receipts	\$ 74,507	\$ 48,989	\$ (25,518)
<u>DISBURSEMENTS</u>			
Public Safety			
Aid to Other Governmental Units			
Leroy-Rose Lake Fire District	\$ 74,407	\$ 48,989	\$ 25,418
Refund of Interest to General Fund	100	0	100
Total Disbursements	\$ 74,507	\$ 48,989	\$ 25,518
Excess of Receipts Over (Under) Disbursements	\$ 0	\$ 0	\$ 0
<u>BALANCE</u> - April 1, 2003	100	100	0
<u>BALANCE</u> - March 31, 2004	\$ 100	\$ 100	\$ 0

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

CEMETERY FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ <u>5,710</u>

LIABILITIES AND BALANCE

<u>LIABILITIES</u>	\$ 0
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BALANCE

Reserved for Cemetery	5,510
Reserved for Cemetery Perpetual Care	<u>200</u>

TOTAL LIABILITIES AND BALANCE	\$ <u>5,710</u>
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ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

CEMETERY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Contributions from Local Units			
Sherman Township	\$ 1,250	\$ 1,250	\$ 0
Leroy Township	1,250	1,250	0
Burdell Township	1,250	1,250	0
Charges for Services			
Lot Sales and Burial Fees	6,500	1,800	(4,700)
Interest and Rents			
Interest Earnings	200	13	(187)
Total Receipts	\$ 10,450	\$ 5,563	\$ (4,887)
<u>DISBURSEMENTS</u>			
General Government			
Supplies			
Operating Supplies	\$ 0	\$ 635	\$ (635)
Other Services and Charges			
Contracted Services	15,300	5,675	9,625
Public Utilities	0	234	(234)
Total Disbursements	\$ 15,300	\$ 6,544	\$ 8,756
Excess of Receipts Over (Under) Disbursements	\$ (4,850)	\$ (981)	\$ 3,869
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In			
General Fund	\$ 1,250	\$ 1,250	\$ 0
Excess of Receipts and Other Sources Over (Under) Disbursements and Other Uses	\$ (3,600)	\$ 269	\$ 3,869
<u>BALANCE</u> - April 1, 2003	5,233	5,441	208
<u>BALANCE</u> - March 31, 2004	\$ 1,633	\$ 5,710	\$ 4,077

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

ROSE LAKE IMPROVEMENT FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ 22,361
Special Assessment Receivable	<u>558</u>
TOTAL ASSETS	<u>\$ 22,919</u>

LIABILITIES AND BALANCE

<u>LIABILITIES</u>	
Deferred Revenues	\$ 558
<u>BALANCE</u>	
Unreserved	
Designated for Lake Improvement	<u>22,361</u>
TOTAL LIABILITIES AND BALANCE	<u>\$ 22,919</u>

ROSE LAKE TOWNSHIP, MUSKEGON COUNTY
LEROY, MICHIGAN

ROSE LAKE IMPROVEMENT FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Interest and Rents			
Interest Earnings	\$ 200	\$ 65	\$ (135)
Other Receipts			
Special Assessments	19,940	20,574	634
Total Receipts	\$ 20,140	\$ 20,639	\$ 499
<u>DISBURSEMENTS</u>			
General Government			
Recreation and Cultural			
Other Services and Charges			
Lake Treatment	37,500	36,337	1,163
Excess of Receipts Over (Under) Disbursements	\$ (17,360)	\$ (15,698)	\$ 1,662
<u>BALANCE</u> - April 1, 2003	38,051	38,059	8
<u>BALANCE</u> - March 31, 2004	\$ 20,691	\$ 22,361	\$ 1,670

ROSE LAKE TOWNSHIP, MUSKEGON COUNTY
LEROY, MICHIGAN

MCCOY LAKE ROAD IMPROVEMENT FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ 1,135
Special Assessment Receivable	<u>100</u>
TOTAL ASSETS	\$ <u><u>1,235</u></u>

LIABILITIES AND BALANCE

<u>LIABILITIES</u>	
Deferred Revenues	\$ 100
<u>BALANCE</u>	
Unreserved	
Designated for Road Improvement	<u>1,135</u>
TOTAL LIABILITIES AND BALANCE	\$ <u><u>1,235</u></u>

ROSE LAKE TOWNSHIP, MUSKEGON COUNTY
LEROY, MICHIGAN

MCCOY LAKE ROAD IMPROVEMENT FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Interest and Rents			
Interest Earnings	\$ 50	\$ 0	\$ (50)
Other Receipts			
Special Assessments	1,000	900	(100)
Total Receipts	\$ 1,050	\$ 900	\$ (150)
<u>DISBURSEMENTS</u>			
Public Works			
Highways, Streets and Bridges			
Other Services and Charges			
Contracted Services	1,310	925	385
Excess of Receipts Over (Under) Disbursements	\$ (260)	\$ (25)	\$ 235
<u>BALANCE</u> - April 1, 2003	1,160	1,160	0
<u>BALANCE</u> - March 31, 2004	\$ 900	\$ 1,135	\$ 235

ROSE LAKE TOWNSHIP, MUSKEGON COUNTY
LEROY, MICHIGAN

SOUTH HOGBACK LAKE ROAD IMPROVEMENT FUND
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ 5,823
Special Assessment Receivable	<u>2,200</u>
TOTAL ASSETS	<u>\$ 8,023</u>

LIABILITIES AND BALANCE

<u>LIABILITIES</u>	
Deferred Revenues	\$ 2,200
<u>BALANCE</u>	
Unreserved	
Designated for Road Improvement	<u>5,823</u>
TOTAL LIABILITIES AND BALANCE	<u>\$ 8,023</u>

ROSE LAKE TOWNSHIP, MUSKEGON COUNTY
LEROY, MICHIGAN

SOUTH HOGBACK LAKE ROAD IMPROVEMENT FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Interest and Rents			
Interest Earnings	\$ 200	\$ 0	\$ (200)
Other Receipts			
Special Assessments	10,000	8,000	(2,000)
Total Receipts	\$ 10,200	\$ 8,000	\$ (2,200)
<u>DISBURSEMENTS</u>			
Public Works			
Highways, Streets and Bridges			
Other Services and Charges			
Contracted Services	9,295	6,272	3,023
Excess of Receipts Over (Under) Disbursements	\$ 905	\$ 1,728	\$ 823
<u>BALANCE - April 1, 2003</u>	4,095	4,095	0
<u>BALANCE - March 31, 2004</u>	\$ 5,000	\$ 5,823	\$ 823

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash	
Money Market Account	\$ <u>2,216</u>

EQUITY

Balance	
Unreserved	\$ <u>2,216</u>

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Current Tax Collections	\$ 1,128,676
Delinquent Tax Collections	17,117
Late Payment Penalty	987
Interest Earnings	443
Overcollections from Taxpayers	6,544
Dog Licenses	197
	<hr/>

Total Receipts

\$ 1,153,964

DISBURSEMENTS

Payments to County Treasurer

Current Tax

County

\$ 291,105

State Education Tax

167,745

Delinquent Tax

187

Lake Payment Penalties

313

Dog Licenses

197

\$ 459,547

Payments to Township Treasurer

Current Tax

Operating

\$ 28,158

Fire

38,182

Special Assessments

25,754

Delinquent Tax

Operating

3,943

Fire

8,707

Special Assessment

3,720

108,464

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

Payments to School Treasurer			
Current Tax			
Pine River Area Schools	\$	387,144	
Marion Public Schools		211	
Delinquent Tax			
Pine River Area Schools		265	
Marion Public Schools		221	
			387,841
Payments to Intermediate School Treasurer			
Current Tax	\$	190,377	
Delinquent Tax		74	
			190,451
Refund to Taxpayers for Overcollections			6,544
Bank Charges			78
Total Disbursements			<u>1,152,925</u>
Excess of Receipts Over			
(Under) Disbursements			\$ 1,039
<u>BALANCE</u> - April 1, 2003			<u>1,177</u>
<u>BALANCE</u> - March 31, 2004			<u>\$ 2,216</u>

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
FOR THE YEAR ENDED MARCH 31, 2004

<u>GENERAL FIXED ASSETS</u>	BALANCE 4/1/03	ADDITIONS	DELETIONS	BALANCE 3/31/04
Land and Land Improvements	\$ 13,484	\$ 0	\$ 0	\$ 13,484
Buildings and Building Improvements	124,344	0	0	124,344
Furniture and Equipment	23,809	2,309	0	26,118
	<u>\$ 161,637</u>	<u>\$ 2,309</u>	<u>\$ 0</u>	<u>\$ 163,946</u>
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$ 161,637</u>	<u>\$ 2,309</u>	<u>\$ 0</u>	<u>\$ 163,946</u>

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF 2003 TAX ROLL
MARCH 31, 2004

TAXES ASSESSED

County	\$	328,217	
County - State Education Tax		179,059	
Township			
Operating		31,747	
Fire		43,241	
Special Assessments		28,612	
Schools			
Pine River Area Schools		429,629	
Marion Public Schools		211	
Intermediate School			
Wexford-Missaukee		214,876	\$ 1,255,592

TAXES COLLECTED

County	\$	291,105	
County - State Education Tax		167,745	
Township			
Operating		28,158	
Fire		38,182	
Special Assessments		25,754	
Schools			
Pine River Area Schools		387,144	
Marion Public Schools		211	
Intermediate School			
Wexford-Missaukee		190,377	1,128,676

TAXES RETURNED DELINQUENT

County	\$	37,112	
County - State Education Tax		11,314	
Township			
Operating		3,589	
Fire		5,059	
Special Assessments		2,858	
Schools			
Pine River Area Schools		42,485	
Marion Public Schools		0	
Intermediate School			
Wexford-Missaukee		24,499	\$ 126,916

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

September 20, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Rose Lake Township
Osceola County
Leroy, Michigan

During the course of our audit of the general-purpose financial statements of Rose Lake Township for the year ended March 31, 2004, we noted the following items:

GASB 34

The Governmental Accounting Standards Board (GASB) has issued statement number 34 which will become effective for the Township for the year ending March 31, 2005. We are available to assist the Township in determining the effect this new pronouncement will have on the Township as well as what the Michigan Department of Treasury will require of the Township related to GASB 34.

We would like to thank the board for its continued confidence in our firm and to thank the Township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

September 20, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Rose Lake Township
Osceola County
Leroy, Michigan

In planning and performing our audit of the general-purpose financial statements of Rose Lake Township, Osceola County, Leroy, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

